

Kansas Electric Transmission Authority (KETA)

A Briefing for the Inaugural Meeting
of State Infrastructure Authorities

By Rep. Carl Holmes, Chairman, and
Earnie Lehman, Vice Chairman

Rapid City, South Dakota
June 13, 2007

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Who Is KETA?

- Created by Kansas Legislature in 2005
- Began operations in 2006
- Seven Board Members
 - Three Appointed by Governor with Senate Confirmation
 - Four Year Terms (staggered initially)
 - Four Legislators *ex officio* – Chairs and ranking minority members of Senate and House Utilities Committees

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Members

- Chairman Rep. Carl D. Holmes
- Vice-Chairman Earnie Lehman
- Secretary-Treasurer Tim McKee
- Les Evans
- Senator Jay Emler
- Senator Janis Lee
- Rep. Annie Kuether

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KETA'S Mission

- Our mission is to ensure reliable operation of the electrical transmission system, diversify and expand the Kansas economy, and facilitate consumption of Kansas energy through improvements in the state's electric transmission infrastructure.

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Where We Are Today

- Finalizing analysis of two promising new transmission projects.
- Contracting for legal services.
- Evaluating best uses for the initial \$1 million of project development funding approved for FY08.
- Building bridges to other states.



Drivers For KETA's Formation

- Assist development of wind energy resources for eastern Kansas and export to other states.
- Increase ability to import and export fossil-fueled generation.
- Reduce large retail rate disparities within Kansas.
- Subtext – lack of new construction by transmission owners in an increasingly constrained environment



KETA Authority

- The Authority may plan, finance, construct, develop, acquire, own and dispose of transmission facilities.
- The Authority shall function as a public entity and shall contract for maintenance and operation of transmission facilities.



Other Specific Powers

- Enter into contracts with Kansas Development Finance Authority to issue bonds and provide financing for projects.
- Recover costs through Southwest Power Pool (SPP) Regional Transmission Organization tariffs
- Additional cost recovery through Kansas Corporation Commission (KCC) assessments on Kansas retail customers.



Authority Taxation

- KETA shall not pay Kansas income tax
- KETA shall not pay Kansas sales tax
- KETA shall pay property tax the same as privately and cooperatively owned utilities

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KETA, State and Local Entities

- State agencies and local government units must provide information, assistance and advice as requested by the Authority
- State agencies and local governments are authorized to lease, lend, grant, or convey to the Authority without public notice

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KETA Limitations

- All transmission projects must be accepted by the SPP.
- Before KETA can proceed with construction, a notice shall be published and private entities have three months to notify the Authority they will build the project.
- If the project is not started within 180 days, KETA may proceed with the project.

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Proposed Transmission Projects Benefiting Kansas



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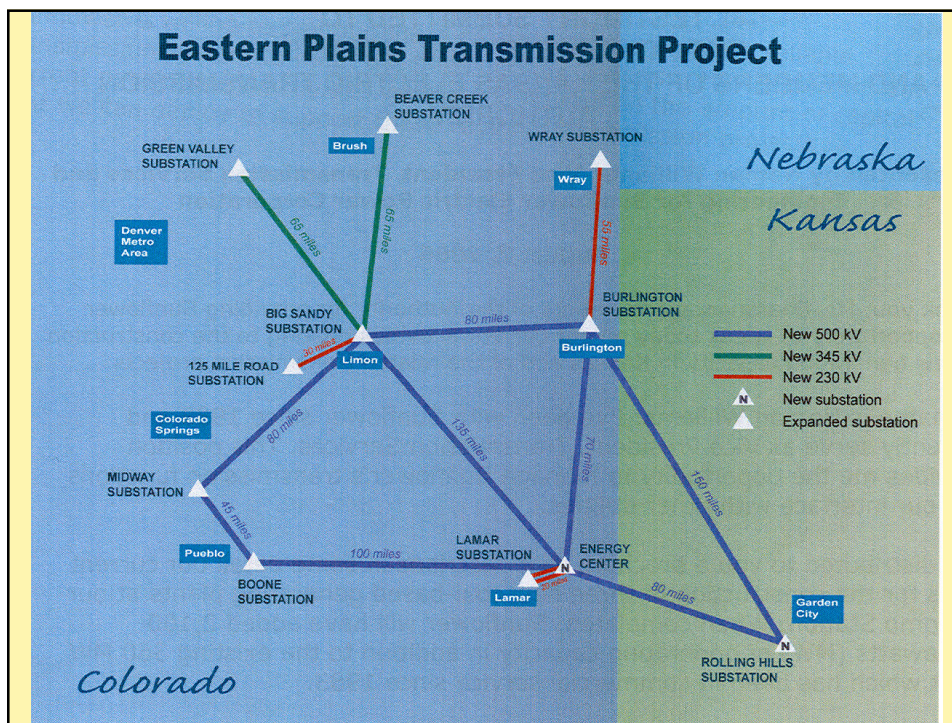
WAPA Transmission Project

- Western Area Power Administration (WAPA)
- 1000 miles of new transmission lines
- \$1 billion investment
- 2010 - 2011 time frame
- Supports two new 700 MW coal-fired power plants at Holcomb, Kansas
- Synchronized with Western Power Grid

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Eastern Plains Transmission Project

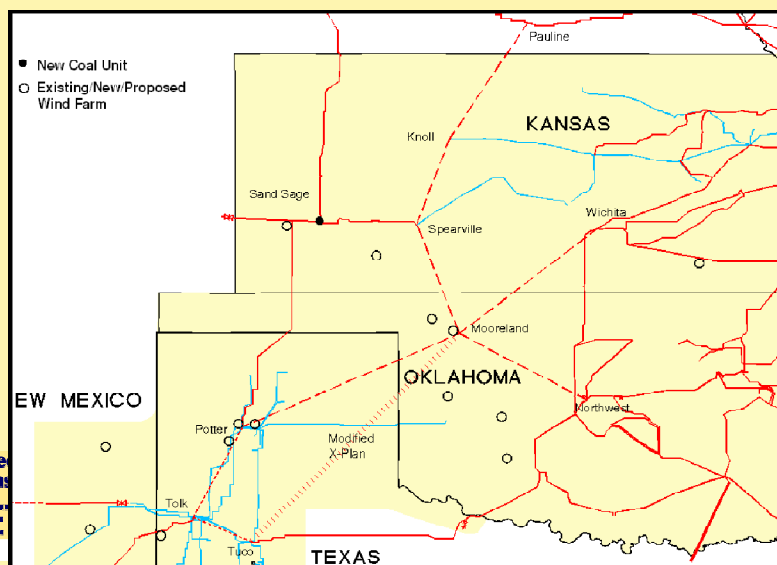


Proposed X Plan

- \$419 million projected cost, not including underlying upgrades
- Spearville - Mooreland - Potter 345 kV
- Wichita - Mooreland - Oklahoma City 345 kV



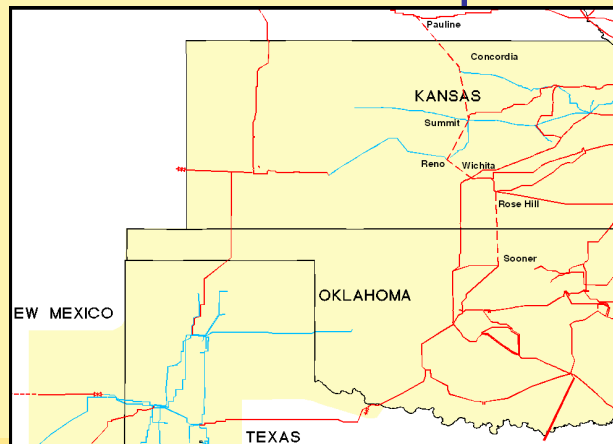
Kansas/Panhandle Study



Central Kansas Projects

- Wichita - Reno 345 kV certificated
- Reno – Summit 345 kV proposed
- Rose Hill - Sooner 345 kV proposed
- Knoll - S Hays - Heizer 230 kV conversion underway
- Spearville – Reno 345 kV KETA/SPP study
- Spearville/Knoll/Axtell NE 345 kV KETA/SPP study

Potential 345 kV Expansion



August 2006 Announcements

- ITC Great Plains, LLC and Westar Energy simultaneously announced plans to build new 345 kV transmission facilities
- ITC Great Plains, LLC has a pending application for a limited Certificate of Convenience and Necessity to allow it to build, own and operate transmission
- Westar Energy has received KCC approval to construct the first 345 kV line segment and is siting the second segment.
- Kansas has gone from limited transmission interest to competition for projects

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KETA's Initial Success

- KETA has accelerated the decision process for new transmission and fostered a competitive environment for construction.
- Kansas has gone from little movement forward to competing companies desiring to build the same transmission lines.
- KETA is challenging the existing, narrow planning process by recognizing benefits hitherto ignored or unquantified. This will justify more construction.

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KETA's Challenges

- Accurately capture benefits and costs of potential projects.
- Access federal tax-exempt financing to facilitate construction.
- Integrate into regional transmission planning process.
- Strengthen bonds with other state infrastructure authorities for planning and advocacy.
- Build new transmission or cause it to be built.

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